

AMERICA'S HOSPITALS AND HEALTH SYSTEMS

February 25, 2003

Dear Member of Congress:

The undersigned hospital organizations are writing to express our strong support for immediate Medicaid state fiscal relief. We support bills such as S. 138 and H.R. 816, which would increase the Medicaid federal medical assistance percentage (FMAP). In addition to enactment of legislation to stop further federal cuts in Medicaid disproportionate share (DSH) funding to states, we also believe the approach of these bipartisan bills is essential to ensuring that Americans continue to receive safety net health services.

As you know, the Medicaid program accounts for a large portion of total state spending, making it a likely target for budget cuts during bad economic times. Last year, nearly all states imposed Medicaid cutbacks in some form to fill budget gaps or used up all of their special funds to prevent direct cuts in Medicaid eligibility or key services. The states' situation, however, has severely worsened. States currently face a budget shortfall of about \$40-50 billion and are projecting that figure to rise to \$60-70 billion next year. The vast majority of states expect to consider legislation to cut Medicaid eligibility, health services and payments to health care providers. States need immediate help to ensure that their Medicaid residents receive appropriate health services.

The Senate legislation, S. 138, offers help for states that maintain their Medicaid eligibility criteria by providing a \$10 billion temporary increase in FMAP for all states for 18 months, including a "hold harmless" provision for states in which FMAPs would otherwise decline, and by adding \$10 billion to the Title XX Social Service Block Grant. The House bill, H.R. 816, offers help for states that maintain their Medicaid eligibility criteria by providing a 2 percent temporary increase in FMAP for 12 months for all states and an additional 2.5 percent increase for states with higher than average unemployment. H.R. 816 also includes a "hold harmless" provision for states in which FMAPs would otherwise decline.

Along with passage of legislation to stop the resumption of cuts in federal funding for Medicaid DSH, we support swift enactment of state fiscal relief legislation and encourage your leadership, along with that of bill sponsors – Senators John Rockefeller IV (D-WV), Susan Collins (R-ME), Gordon Smith (R-OR) and Ben Nelson (D-NE), as well as Reps. King (R-NY) and Brown (D-OH), on this important matter.

Sincerely,

American Hospital Association
Catholic Health Association of the United States
National Association of Children's Hospitals
National Association of Psychiatric Health Systems
National Association of Public Hospitals and Health Systems